

Message Text

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FOLLOWING OWING REPEAT JAKARTA 0031 ACTION SECSTATE AJN 3
QUOTE C O N F I D E N T I A L JAKARTA 0031

E.O. 11652: GDS
TAGS: EAID, ECON, ID
SUBJECT: WIDJOJO'S VIEWS ON ECONOMIC AID

1. ON JANUARY 2, 1978, I PAID MY INITIAL COURTESY CALL ON WIDJOJO NITISASTRO, MINISTER OF STATE COORDINATING THE ECONOMY, FINANCE AND INDUSTRIES, AND HEAD OF INDONESIA'S NATIONAL DEVELOPMENT BOARD. IN A WIDE-RANGING, HOUR LONG TALK WE COVERED FOREIGN AID, EXTERNAL INVESTMENT AND RECENT PROBLEMS CONNECTED WITH OUR PL-480 AGREEMENT. THIS MESSAGE REPORTS ON OUR DISCUSSION OF ECONOMIC DEVELOPMENTS; OTHER SUBJECTS ARE COVERED IN SEPARATE MESSAGES.

2. I OPENED THE SUBSTANTIVE PORTION OF THE DISCUSSION BY TELLING WIDJOJO THAT, IN VIEW OF MY RETURN TO INDONESIA AFTER A FAIRLY EXTENDED ABSENCE, I WOULD MUCH APPRECIATE HIS COMMENTS ON THE MAIN THRUST OF INDONESIA'S DEVELOPMENT PROGRAMS AND THE WAY IN WHICH FOREIGN - PARTICULARLY U.S. - AID COULD SUPPORT THOSE PROGRAMS.
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WIDJOJO SAID THE GOI AND HE PERSONALLY SUPPORTED THE EMPHASIS IN U.S. LEGISLATION ON HELPING THE POORER ELEMENTS OF SOCIETY. THIS IS MUCH IN LINE WITH INDONESIA'S OWN OBJECTIVES. HOWEVER, HE HOPED THAT WE AND OTHER DONORS WOULD LOOK AT THE "TOTALITY" OF INDONESIA'S DEVELOPMENT EFFORTS. HUMAN NEEDS ARE OF KEY IMPORTANCE, BUT MANY TYPES OF PROJECTS BENEFIT DEPRESSED CLASSES DIRECTLY OR INDIRECTLY. IT WOULD BE MOST DIFFICULT, HE

SAID,
TO INSURE THAT "EACH BIT OF AID GIVEN" REACHES THE POORER
SEGMENTS OF SOCIETY. AS A SECOND GENERAL COMMENT, HE SAID HE
HOPED FOREIGN AID PROGRAMS OF ALL DONORS WOULD NOT BE TOO
COMPLICATED. THIS WOULD PLACE AN ADDED STRAIN ON INDONESIA'S
ALREADY LIMITED MANAGERIAL CAPABILITIES.

3. REGARDING TOP PRIORITY AREAS, WIDJOJO SAID THERE WERE TWO
WHICH WERE OF SPECIAL IMPORTANCE AND IN WHICH U.S. AID HAD BEEN,
AND HE HOPED WOULD CONTINUE TO BE, EXTREMELY HELPFUL. FIRST, WE
HAD HAD LONG AND SUCCESSFUL COOPERATION IN THE FIELD OF FAMILY
PLANNING. INDONESIA HAD BENEFITTED GREATLY FROM U.S. TECHNICAL
ADVICE AND COMMODITIES. THE STRESS TO DATE HAD BEEN ON JAVA.
MUCH REMAINED TO BE DONE, BUT CONSIDERABLE PROGRESS HAD ALREADY
BEEN MADE, AND IT WAS TIME TO EXTEND FAMILY PLANNING PROGRAMS
TO THE OUTER ISLANDS. HE HOPED THE UNITED STATES WOULD CONTINUE
AND IN FACT INCREASE THE EXCELLENT SUPPORT WE HAVE BEEN GIVING
TO INDONESIA'S FAMILY PLANNING PROGRAMS.

4. SECONDLY, WIDJOJO SAID INCREASED FOOD PRODUCTION HAS A HIGH
PRIORITY AND IS AN AREA IN WHICH THE U.S. HAS BEEN MOST HELPFUL.
A FEW YEARS AGO INDONESIA AND FOREIGN DONORS THOUGH THIS COUNTRY
WOULD SOON BECOME SELF-SUFFICIENT IN FOODGRAIN PRODUCTION.
ACTUALLY THE GAP HAS INCREASED. I AGREED AND NOTED THAT ACCORDING
TO OUR PROJECTIONS INDONESIA WOULD HAVE TO SPEND MORE THAN
\$850 MILLION THIS COMING YEAR TO IMPORT GRAIN. WHILE SOME OF
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THIS WOULD BE ON CONCESSIONAL TERMS, IT WAS STILL A SERIOUS
DRAIN ON FOREIGN EXCHANGE HOLDINGS, WHICH WERE EXPECTED TO
COME UNDER INCREASING PRESSURE DURING THE NEXT SEVERAL YEARS.
I ASKED WIDJOJO IN WHAT AREAS OUR AID WOULD BE PARTICULARLY
USEFUL. HE SAID AT THE OUTSET THAT HE HOPED FOR GREATER
COORDINATION AMONG MAJOR DONORS IN THE AGRICULTURAL SECTOR.
HE HOPED THAT INDONESIA, THE U.S., JAPAN, THE WORLD BANK AND THE
ASIAN DEVELOPMENT BANK COULD WORK MORE CLOSELY TOGETHER TO
COORDINATE THEIR EFFORTS. I SAID THAT WHILE I WAS NOT AWARE
OF THE PRESENT STATUS OF EFFORTS AT COORDINATION, WE WOULD MOST
CERTAINLY DO OUR PART TO INSURE THAT THERE WERE NO OVERLAPS
AND THAT IMPORTANT SECTORS WERE NOT OVERLOOKED.

5. TURNING TO SPECIFICS, WIDJOJO SAID THERE WERE FOUR AREAS IN
THE AGRICULTURAL SECTOR IN WHICH OUR HELP COULD BE EXTREMELY USEFUL:
(A) FIRST, BETTER USE OF WATER WAS URGENTLY NEEDED. THE
PRIMARY AND SECONDARY IRRIGATION CANALS HAVE ALREADY BEEN INSTALLED,
BUT ADDITIONAL EFFORTS ARE NEEDED TO ACTUALLY GET THE WATER INTO
THE PADDY FIELD. THIS WOULD BE A LARGE ITEM IN INDONESIA'S OWN
BUDGET FOR 1978 AND 1979, BUT EXTERNAL HELP IS NEEDED. PROJECTS
IN THIS AREA WOULD ALSO PROVIDE RURAL EMPLOYMENT FOR THE CONSTRUCTION
AND REHABILITATION OF IRRIGATION DITCHES.

(B) A GOOD DEAL HAS BEEN DONE IN AGRICULTURAL RESEARCH, BUT THERE IS AN URGENT NEED, AS ONLY ONE EXAMPLE, TO DO MORE TO DEVELOP STRAINS OF RICE OR OTHER METHODS OF CONTROLLING THE WERENG PEST WHICH SIGNIFICANTLY REDUCES INDONESIA'S RICE PRODUCTION.

(C) AGRICULTURAL EXTENSION FACILITIES MUST ALSO BE IMPROVED. THE PRESENT ARRANGEMENTS FO GETTING THE BENEFITS OF RESEARCH TO THE FARMERS ARE TOTALLY INADEQUATE. THIS IS AN AREA IN WHICH THE U.S. HAS GREAT EXPERIENCE AND COULD BE OF ASSISTANCE.

(D) INCREASED EFFORTS ARE ALSO REQUIRED TO OPEN UP NEW AGRICULTURE AREAS IN THE OUTER ISLANDS. WIDJOJO NOTED THAT THE BUDGET FOR TRANSMIGRATION IS BEING DOUBLED IN 1978. I ASKED
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ABOUT RELATIVE PRIORITIES FOR OPENING NEW AREAS AS COMPARED WITH MORE INTENSIVE CULTIVATION ON JAVA. WIDJOJO SAID BOTH WERE REQUIRED. WHILE JAVA'S PRODUCTION IS BETTER THAN THAT OF INDONESIA'S NEIGHBORS, IT FALLS FAR SHORT OF PRODUCTION IN TAIWAN, KOREA AND JAPAN. THERE IS CONSIDERABLE SCOPE FOR EXPANDING THIS PRODUCTION, BUT THIS SHOULD NOT BE AT THE EXPENSE OF OPENING NEW AREAS FOR CULTIVATION.

6. IN ADDITION TO THE TOP PRIORITY AREAS OF FAMILY PLANNING AND AGRICULTURE, WIDJOJO ALSO MENTIONED FOUR OTHER SECTORS IN WHICH HE WOULD WELCOME U.S. AID:

(A) ROAD CONSTRUCTION, LIKE SOME OF OUR EARLIER PROJECTS, WAS HIGHLY BENEFICIAL TO EXPANDING THE ECONOMY. I NOTED THAT UNDER OUR PRESENT CONGRESSIONAL MANDATE, IT WOULD NOT BE POSSIBLE FOR US TO CONSIDER BASIC HIGHWAY CONSTRUCTION. FARM TO MARKET ROADS MIGHT, HOWEVER, BE POSSIBLE AS PART OF OUR RURAL DEVELOPMENT ACTIVITIES IF THE JUSTIFICATION WAS ADEQUATE.

(B) IN THE HEALTH FIELD, WIDJOJO SAID THERE WAS AN URGENT NEED TO PROVIDE GOOD WATER TO DEPRESSED AREAS, PARTICULARLY IN JAVA AND MADURA. I SAID THAT THIS AGAIN DID NOT SEEM TO ME SOMETHING WE COULD TAKE ON AS AN OVERALL PROJECT, BUT MIGHT AT THE LOCAL LEVEL FIT IN WITH SOME OF OUR INTEGRATED RURAL DEVELOPMENT PROGRAMS.

(C) THERE IS ALSO A CONTINUING NEED FOR MANAGEMENT TRAINING AT ALL LEVELS. WIDJOJO SAID THAT SOME GOI OFFICIALS DO NOT FAVOR SENDING INDONESIANS ABROAD. HE DISAGREES AND BELIEVES IT ESSENTIAL THAT, AS IN HIS OWN CASE, TOP MANAGERS AND THOSE WHO ARE TO RETURN TO TRAIN INDONESIANS HAVE THE BENEFIT OF TRAINING ABROAD, PARTICULARLY IN THE WEST. HE HOPED THAT WE WOULD CONTINUE TO BE OF ASSISTANCE IN THIS FIELD.
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(D) WIDJOJO SAID HE HAD HEARD THAT THE UNITED STATES AND SAUDI ARABIA HAD A PROJECT TO COOPERATE IN THE DEVELOPMENT OF ENERGY RESOURCES, PARTICULARLY IN THE FIELD OF SOLAR POTENTIAL. INDONESIA WOULD BE INTERESTED IN HAVING THE BENEFITS OF THIS RESEARCH. THERE IS NO NEED, HE SAID, FOR INDONESIA TO REINVENT THE WHEEL. IT CAN BENEFIT FROM DEVELOPMENTS IN OTHER COUNTRIES. I TOLD WIDJOJO THAT WE HAD RECENTLY HAD A VISIT BY A TEAM FROM WASHINGTON TO CONSIDER POSSIBLE COOPERATION IN THIS FIELD AND THAT WE WOULD WITHIN THE VERY NEAR FUTURE BE IN TOUCH WITH THE APPROPRIATE DEPARTMENT OF THE GOVERNMENT. WIDJOJO SAID THAT TECHNICAL ASSISTANCE AND EXCHANGE OF INFORMATION IN THIS AREA WOULD BE MOST WELCOME.

7. COMMENT: MY MEETING WITH WIDJOJO WAS WARM AND CORDIAL, DESPITE RECENT PROBLEMS RESULTING FROM OUR PL-480 AGREEMENT. WE AGREED TO KEEP IN CLOSE TOUCH ON INDONESIA'S DEVELOPMENT PROGRAMS AND WAYS IN WHICH THE U.S. COULD BE OF ASSISTANCE. MASTERS UNQUOTE CHRISTOPHER

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